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Rapporteur: Mr. Ricardo Babul (Chile)

Addendum

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(continued)

70. The representative of Tunisia pointed out that efforts towards trade liberalization in developing countries, which included reductions of customs duties, simplified tariff structures and frequent dismantlement of non-tariff measures, had been substantially more widespread than the trade liberalization measures undertaken in developed market economies in favour of developing countries. Delays in the Uruguay Round, as well as new free trade agreements between developed market economies and the extension of the GSP to Eastern European countries, were all seen as recent factors threatening the preferential treatment granted to developing countries. The economic liberalization taking place in Eastern European countries would be welcome if it became a new source of trade expansion for developing countries, but he expressed concern that the renewed interest in Eastern European countries might in fact be detrimental to developing countries. Indeed, new trade liberalization measures in favour of the former countries had been taken, while such measures in favour of developing countries had remained modest.

71. He stressed that developing countries had the right to expect differential and preferential treatment as resumed growth in these countries would have a stimulating impact on world trade and thus on developed market economies' exports. At a time when developing countries were liberalizing their markets, certain developed countries continued to apply non-tariff measures, including sanitary, security or technical norms, which were hardly justified and which put a brake on imports from developing countries. In this context, he pointed out that manufactured exports from Africa remained insignificant.

72. He added that the rapid liberalization process occurring in Africa and Latin America should be contrasted with the industrialization experience in South-East Asia, which argued for a lengthy transition period before liberalization could begin. Worsening budgetary deficits and the build-up of inflation were noticeable outcomes of such reforms as the reduction of customs duties. Therefore, such reforms needed to be combined with increased financial flows, development aid and technology transfers in order to foster growth in developing countries.

73. Tunisia's liberalization programme, which started in 1986, was proceeding rapidly. The reforms introduced would lead to a freeing of 70 per cent of

imports and to a lowering of effective protection rates to 25 per cent by 1990. Private enterprise had been encouraged by financial and fiscal reform, partial deregulation of industrial prices, and further measures to reduce both tariff and non-tariff measures. However, the success of these reforms hinged upon external factors over which the Government had little control. These included exchange and interest rate movements, and ensuing increases in the debt service which exceeded the flows of new lending. Also, the share of foreign direct investment in total capital inflows had declined substantially.

74. Finally, he referred to the negative consequences of the Gulf crisis on the Tunisian economy, and expressed the hope that its outcome would lead the way to a new economic order which took full account of the aspirations of all people for growth, development and welfare. In this respect, he doubted that current Uruguay Round negotiations really took into account the needs of countries of the South, particularly in the areas of intellectual property, investments and services, where equitable growth called for a differential and preferential treatment for developing countries.

75. The representative of Austria stressed the importance of import liberalization as a prerequisite for sustained economic growth. The argument centred on whether the process of liberalization should be gradual or rapid and broad-based as the best way to bring about a successful structural adjustment. A step-by-step approach could be adopted only in conditions of political stability and continuity. The benefits of liberalization were, however, overriding and were intimately linked with the problem of international competitiveness and the exploitation of comparative advantages. For governments embarking on a course of liberalization, the decisive question was whether comparative advantages and competitive positions emerged as an automatic consequence of trade liberalization or whether policy-makers had to intervene to influence their outcome. He felt that competitiveness arose not from government intervention but rather from a comparative advantage which sprang from the prevailing national environment - one which strongly favoured improvement and innovation in selected industries.

76. The basic question for policy-makers was how to upgrade productivity and create a dynamic and innovative climate. Among the domestic conditions required to achieve competitiveness were skilled human resources and specialized knowledge. Other elements for the development of a competitive industry included special demand conditions - consisting of national habits, preferences or passions - and strong domestic rivalry. Thus, the role of

governments should be to bring about appropriate conditions for intense competition by means of indirect measures which upgraded the human factor and sustained the rivalry of various local producers. Active government involvement should be restricted to such areas as environment, social and health standards, safety and quality controls.

77. Turning to the root causes of protectionism, he said that the arguments which could be invoked to justify protectionist policies were essentially non-economic in character. For instance, everybody was familiar with the high level of government support for agriculture in many European countries. These measures were justified with non-economic arguments such as food security or the preservation of a traditional rural society. Thus, whenever government policy tried to avoid the real issue, namely productivity, society as a whole had to pay the price in the form of a lower standard of living. And as far as foreign trade was concerned, the truly productive sectors would have to make up for the resources lost in the protected sectors.

78. His main conclusions were as follows:

(a) The principle of liberalization had been recognized as the correct way to bring a country's economy into line with the world economy and to make it ready to face global competition.

(b) Under certain conditions, governments would be well advised to proceed gradually in order not to expose all sectors of the economy to the shock of international competition simultaneously. However, in some circumstances, a rapid opening-up of the market might be preferable.

(c) Governments could use various instruments to protect their industry or certain sectors of their industry but, whenever a country was aiming at a truly competitive international position, protection was not the proper means to gain and to sustain it. Rather, adequate framework conditions such as a high level of human skill, local demand and intense internal rivalry should be encouraged and, once they had been created, defended as stubbornly as possible.

(d) In all this, the lessons to be drawn from the experience of such successful countries as Switzerland and Sweden, Japan and the Republic of Korea should be heeded - in particular that scarcity rather than abundance had been the principal motivating force for innovation. This, by the way, also applied to his own country's competitiveness. Nations advanced under pressure and in response to a challenge, but naturally they advanced only if they were willing and able to create the kind of environment which he had tried to describe in the hope of contributing to the clarification of a complex but important concept.

79. Referring to the secretariat report on protectionism and structural adjustment (TD/B/1282), the representative of New Zealand said that the report was right in emphasizing the export prospects of developing countries, but the approach taken tended to foster an artificial North/South view of problems which transcended the reality of that divide. The liberalization measures taken by a number of developing countries had been adopted at some political and, in the short run, economic cost, but in view of the uncertain external environment, these countries could not reap immediate benefits. Such factors had led to some protectionist measures which the secretariat had failed to mention. In paragraphs 129-132 of the report, the secretariat had made some interesting observations about the relative success of different models of liberalization, but more work was needed in this area concerning the benefits for countries embarking on a liberalization programme. Regarding the effects of liberalization on the trade of developing countries, the secretariat seemed unsure of the value of MFN-based liberalization in some areas, because of the erosion of margins of preference under the GSP and other preferential arrangements that it would entail. There was a risk of losing sight of the long-run fundamental aim, which was the more secure and predictable framework given by MFN-based liberalization in the GATT. The importance in the growth of exports of factors other than margins of preference needed also to be emphasized, and in particular the need for appropriate national policies to develop international competitiveness.

80. Referring to agricultural protection, he concurred with the view of the representative of Austria that recognition by governments of the costs to consumers and to the national economy could make a great contribution to reducing protectionism, with great benefit to competitive agricultural exporters in developing and other countries, as well as to the economy imposing protection. Agriculture was a crucial factor in the Uruguay Round negotiations. It stood apart in those negotiations, perhaps because, in the major industrial countries, its lobbies were among the best funded, the best organized and the most listened to by governments, in relation to their importance in the economy and in the population. The secretariat report showed clearly the scale of the problem and the responsibility in this particular area of liberalization of those countries which, by the size of their markets and their production, had a determining influence on both world prices and market access for agricultural exporters.

81. The representative of Romania stated that his country, as a member of the Group of 77 and as a country in transition towards a market economy, attached considerable importance to the problems of protectionism and structural adjustment. Despite trade liberalization measures undertaken by developed countries in support of the process of economic reforms in the countries of Eastern Europe and the lifting of certain import restrictions in favour of exports of developing countries, the proportion of trade subject to non-tariff measures had not diminished markedly and most of the restrictions which had existed before the start of the Uruguay Round negotiations still prevailed. Protectionist measures were being applied frequently in violation of GATT rules, and recourse to antidumping measures was being used for protectionist purposes. Preferential tariff treatment in favour of developing countries had also been weakened. Little progress had been made in the area of structural adjustment in developed countries, particularly in those areas where protectionist measures had been applied for long periods.

82. It was necessary to respect the obligations undertaken in the Final Act of UNCTAD VII with regard to protectionism and market access with a view to creating a more open, non-discriminatory, credible and durable trading system which could contribute to the expansion of growth and development. The Uruguay Round negotiations constituted an important means to achieve that objective. A positive outcome of the negotiations could underpin the efforts made by developing countries and countries in transition towards a market-economy system to attain their social and economic objectives. Romania was participating actively in the negotiations and was ready to make its contribution to the liberalization of international trade.

83. His country was in the process of switching to a market economy system. This economic reform was made more complicated by the extremely difficult economic situation inherited from the previous régime, by Romania's level of development - which was that of a developing country - and by unfavourable external conditions, in particular the Gulf crisis and the transition to a system of convertible currency settlements for trade between the CMEA member countries. The losses suffered by Romania on account of the Gulf crisis alone amounted to approximately \$US 3 billion. Radical measures had been undertaken for the privatization and liberalization of the national economy. The centralized planning system had been abolished, the process of liberalizing prices and salaries had been launched, and economic agents now enjoyed full autonomy. Profound changes in his country's external economic relations and

trade policies included the abolition of State monopoly of foreign trade and foreign currencies, the elimination of centralized planning of foreign trade, and the liberalization of imports and exports, as well as of foreign investment régimes. Romania was thus engaged in a far-reaching process of structural adjustments, aimed at correcting the major imbalances in the national economy. On the one hand, there was the imbalance between resources and production capacities due to the excessive development of the manufacture of products that required a high level of raw materials and energy. On the other hand there was an imbalance between the structure of demand in the market and the structure of production. Enterprises would therefore be compelled either to undertake structural adjustments, possibly with short-term assistance from the State, or to go bankrupt. The process of transition to a market-economy system required large-scale foreign investment and financial assistance from the international community. In this process Romania also counted on technical assistance from UNCTAD. He was convinced nevertheless that his country's transition to a market-economy system and its integration into the international economic system would undoubtedly reinvigorate the national economy and broaden its economic relations with all countries, including the other developing countries.

84. The representative of Bulgaria, referring to the secretariat report TD/B/L.282, stated that progress made by developed countries in reducing non-tariff barriers for the exports from the countries in Eastern Europe, including Bulgaria, would considerably contribute to the liberalization of world trade, but his country could not agree with the view expressed in the report that the granting of GSP status to some of the latter countries was among those factors that had eroded preferential tariff treatment for developing countries. He considered that the extension of preferential treatment to new countries was an improvement of the international trading system, and that concerns that the resulting increase of exports from Eastern and Central Europe would affect the export position of developing countries were rather premature. He emphasized that the integration of the countries in Eastern Europe into the world economy, and the liberalization of their trade régime, would create substantial new opportunities for the developing countries.

85. Regarding the ongoing regionalization of world trade, he said that it was of priority importance when creating regional trade groupings to conform to the spirit and principles of multilateralism and non-discrimination. In this

respect, a successful and balanced outcome of the Uruguay Round was very important for the future development of the international trading system. Although he understood the preoccupation of the Group of 77 as regards the future development of economic co-operation between developing countries and countries in Eastern Europe, he said that, as stated already at previous sessions of the Board, in view of the profound systemic changes in his own country, it would not be relevant to single out these relations from the overall trade context. However, the suggestion for a focal point within the secretariat might be considered.

86. Bulgaria was facing a number of serious economic problems in the process of transition to a market economy, but a strong social consensus had emerged in the country for addressing the macro-economic imbalances and implementing fundamental systemic reforms. An economic programme, initiating major structural reforms, had been introduced. The reforms included, inter alia, a comprehensive price reform, eliminating almost all restrictions on producer and consumer prices, a reform of the exchange system, based on an interbank foreign-exchange market, abolition of nearly all import licence requirements and quantitative restrictions, reduction of export taxes coverage and a gradual removal of State plan agreements with former CMEA countries. A far-reaching privatization programme was being developed and a two-level strategy had been adopted. Small enterprises with assets up to Leva 10 million could already be auctioned without further Government approval. Large-scale privatization would be addressed in the near future and a State Property and Privatization Agency would be established to monitor this process. New fiscal and tax policies had been implemented aiming to reduce the Government deficit and decrease the redistributive role of the State budget. The basic legal framework for the systemic changes undertaken was in the process of establishment. The country's Parliament had adopted the Bill on Land Reform and was expected to adopt in the near future legislation on privatization, foreign investment, competition, bankruptcy, as well as a new comprehensive Trade Bill. The social safety net had been strengthened. The stabilization programme would be negatively affected by the external environment and a further deterioration in Bulgaria's current account position was expected in 1991. The combined net loss from the dissolution of the CMEA trading system and the Middle East crisis was expected to reach \$US 3 billion, or 13 per cent of the projected 1991 GDP. In the medium term, a viable external balance was to be restored, in particular through export expansion

and restraint in domestic demand. The success of stabilization and structural reforms would critically depend on the assistance provided by private creditors, multilateral institutions and foreign Governments. Bulgaria was sparing no effort to succeed in its reforms. It was holding broad contacts with the international monetary, trading and credit institutions, had recently become a member of IMF and the World Bank and was working on its accession to the GATT.

87. The representative of Czechoslovakia stated that the process of economic reform in his country, which was designed to bring about a radical change from a centrally-planned to a market economy, was being accelerated by the adoption of several laws having as a common feature the abolition of direct administrative management, demonopolization, price liberalization, introduction of internal convertibility, privatization and promotion of private entrepreneurship. An important change in foreign trade had been the total abolition of State monopoly as from the beginning of 1991. New legislation was also adopted to encourage the inflow of foreign investment, and to promote the establishment of joint stock companies with foreign participation. His country had also abolished all protectionist measures and was now relying on customs duties as the main trade-policy instrument. The average level of such duties was one of the lowest in the world - or about 4.5 per cent.

88. The opening up of the Czechoslovak economy created new opportunities for foreign exporters, in particular from developing countries which enjoyed GSP advantages. A major positive contribution which the international community could make in favour of his country was to create a favourable economic climate and to provide better market access for Czechoslovak products. He appreciated the steps taken by many OECD countries resulting in the elimination of a number of quantitative restrictions, granting of MFN status and extending GSP status to this country.

89. Czechoslovakia was in favour of strengthening an open and free multilateral trading system and was therefore highly interested in, and committed to, an early and successful outcome of the Uruguay Round. While he appreciated the many facts about protectionism and structural adjustment described in the secretariat report (TD/B/L282), he felt that the structure of the report and the way in which the facts had been set forth did not always reflect objectively the developments and might misinterpret the analytical findings. He cited some examples in support of this view.

90. Finally, he said that his delegation could not support the idea of creating an ad hoc intergovernmental mechanism in UNCTAD to review and promote trade and economic relations between developing countries and countries of Central and Eastern Europe during the transitional period, as had been suggested in the statement by the spokesman for the Group of 77.

91. The spokesman for the Group of 77 (India), speaking on the Uruguay Round, emphasized that developing countries would like to make clear that the inability of the December 1990 Brussels meeting to arrive at a final outcome was not of their making. Their participation in the Uruguay Round process had been unprecedented and constructive and would continue to be so. It was possible, however, to make a general assessment of the trends with regard to the outcome in the different negotiating areas. These trends would have to be seen in terms of whether they had been favourable to genuine trade expansion, to the correction of imbalances in the international trading system and to rendering it more stable and beneficial to developing countries.

92. It was clear that the conduct of negotiations had not permitted broad-based participation in decision-making. Developing countries had indicated categorically that they would reject any attempt to impose upon them a pre-negotiated package agreed to only by a few. Despite this, linkages between different areas and issues which did not take into account the stipulation about differential and more favourable treatment for developing countries, about non-reciprocity of concessions made to them and about their not being asked to make concessions which were inconsistent with their individual development, financial and trade needs, continued to be made and asymmetries in the degree of progress sought remained in and between various groups and issues. The translation of the principles of differential and more favourable treatment to developing countries into concrete operational obligations and commitments in all of the areas was conspicuous by its absence. On the contrary, bilateral pressures and the threat of unilateral action were used to obtain the acquiescence of developing countries to developed-country approaches.

93. He also noted that the Punta del Este Declaration provided for special attention to be given to the particular situation and problems of the least developed countries and to the need to encourage positive measures to facilitate expansion of their trading opportunities. However, the full comprehension of the heavy social and political costs of structural adjustment undertaken by least developed countries for nearly a decade against a

recessionary perspective and reduced external resource flows to them had not so far manifested itself in the Uruguay Round process. The clear understanding in the Punta del Este Declaration that these countries would not be asked to make commitments which their economy - yielding less than 70 US cents per capita per day - could not sustain for the foreseeable future, should after over four years of negotiations be translated into action and the proposals put forward by LDCs in each of the groups be appropriately reflected in the outcome.

94. Developing countries attached special importance to obtaining a special package of concessions on the market access issues, and gains in these areas were the raison d'être for developing country participation in the Round. The special status of developing countries was recognized in these as in other areas but, in practice, and in violation of negotiating principles, developing countries were asked to make "reciprocal contributions" that were disproportionate to their capacities and inconsistent with their development, financial and trade needs. The negotiations in the market access groups were also undermined by negative linkages with negotiations on rule making on the new areas, demands for one-to-one reciprocity by major trading partners, limitations in coverage of products of interest to developing countries and minimal progress on liberalization of non-tariff measures. Also, the non-fulfilment of standstill and rollback commitments, especially in respect of those measures affecting market access for products originating in developing countries, concerns about the final results having the effect of legitimizing measures which were currently inconsistent with the GATT and repeated attempts to postpone the fulfilment of the commitments dampened expectations of any major gain in market access areas.

95. In tariff negotiations a target amount for overall reduction at least as ambitious as that achieved by the participants in the Tokyo Round (at least 33 per cent) could ultimately be achieved in most major markets. However, the offer and request procedure followed tended to insulate tariff protection on products of priority interest to developing countries and special tariff concessions on such products were subjected to "satisfactory reciprocity by developing countries". It also had become evident that the commitment to give credit and recognition to developing-country participants which had undertaken significant autonomous tariff liberalization measures since the launching of the Round had not been respected. This should be corrected and proposals recently put forward by many developing countries deserved serious

consideration in order to achieve concrete and tangible results. There was also no recognition of the substantial efforts made by developing countries to increase the scope of their tariff bindings. The problem of tariff escalation and tariff peaks on products of export interest to developing countries was not sufficiently addressed and MFN tariff reductions implied the erosion of preferential margins for preference-receiving developing countries, and this called for supplementary measures to be taken by preference-giving countries by substantially improving their GSP schemes.

96. In the area of NTMs, the efforts to arrest the incidence and proliferation of NTMs which constituted a major hazard and impediment for developing-country exports into developed-country markets had not met with much success in the Round. The fundamental issue of an agreed perception or definition of which NTMs were GATT-consistent or otherwise was not substantially resolved. Also, any definitive outcome in this area was held hostage to developments in other negotiating groups such as textiles and clothing, agriculture, MTN agreements and arrangements. It was, however, clear that the phase-out or elimination of quantitative restrictions and other measures with similar effects in pursuance of the rollback commitment remained largely unfulfilled and that many participants were concerned that they might be asked to pay for removal of developed-country measures which were of doubtful compatibility with the GATT. The offer and request procedure laid down for negotiating the reduction or elimination of NTMs was not conducive to positive results, especially for developing countries whose special need to continue to use NTMs had been well recognized.

97. In the area of tropical products, developing countries with a major interest in the export of tropical products found that developed-country offers were inadequate in terms of depth of tariff concessions and that, in this critical area of export interest to developing countries, developed countries were demanding reciprocal concessions. Moreover, the offers made so far by developed countries had resulted in the erosion of preferential margins enjoyed by those developing countries whose economies were heavily dependent on these products. Removal of tariff and non-tariff barriers and reduction and elimination of tariff escalation with regard to tropical products exported by developing countries should receive the priority it deserved and any trade liberalization in this area should not divert trade away from the traditional developing-country suppliers of tropical products.

98. The textiles and clothing sector should be relieved from restrictions and reintegrated into GATT after nearly 30 years of exclusion. Developing-country exporters of textiles and clothing expected liberalization of the trade in this sector to lead to a substantial improvement in their export earnings. The agreement in this area should result in an appreciable decrease in the scope of restrictions, acceleration of the phase-out of the restrictive trade régime - the MFA - decreased protection to the domestic industries of MFA-user countries, progressive elimination of selective safeguards and limitations on the resort to trade harassment measures in this sector.

99. The impasse at Brussels could be attributed in large measure to failure to achieve the objectives in one key area of liberalization - that of agricultural trade. This would continue to influence any likely resumption and conclusion of the negotiations. Developing countries supported greater liberalization of trade in agriculture by increasing access to markets and by substantial reduction in internal support and elimination of export subsidies and all derogations deriving from waivers and protocols of accession of developed countries. The final aim of this process was to achieve the integration of agriculture into the GATT. For developing-country exporters of agricultural products, liberalization of agricultural trade was of crucial importance. It was also important to emphasize the development dimension in agriculture and the special role that agriculture played in a developing economy. Any agreement on agricultural trade should provide flexibility and autonomy in the use of all measures relating to internal support programmes, export subsidies and border measures to developing countries. The net food-importing developing countries needed measures to be in place to offset the burden arising from an increase in food prices in the short and medium term on account of reduction and/or elimination of subsidies by major food-exporting countries.

100. Trade in natural resource-based products, including their semi-processed and processed forms, was another market access issue where there was little progress. The paralysis in this area was mainly due to the totally untenable and unacceptable demand of some developed-country participants for concessions on access to supply of natural resources of developing countries. There was little sign of progress on the reduction or elimination of tariffs, especially tariff escalation and non-tariff measures on such sectors as fisheries. A positive outcome in this area would result in considerable benefit to a large

number of developing countries. Such an outcome should offer improved import access through deeper cuts in rates applicable to GSP beneficiaries and least developed countries and extension of preferential coverage, as well as limiting the erosion of preferential margins and potential trade losses for the most vulnerable countries.

101. Developing countries supported a strengthening of the GATT rules and disciplines so as to clarify and resolve the shortcomings that had arisen in the interpretation of the rules of the GATT system, and provide greater security and predictability in their application and in their compliance. However, the outcome in these areas should be balanced and benefit all participants, especially developing countries. Nowhere was the attempt to deprive developing countries of their rights under the GATT and to set aside their special needs and interests more evident than in the move of some developed countries to review GATT Article XVIII, especially its Section B. Developed countries were seeking to abridge or deny the right of developing countries with balance-of-payments problems of a structural and persistent nature to exercise necessary flexibility in trade policies. Such a move had far-reaching negative implications for them and was totally unjustifiable at a time when the need of the developing countries to invoke Article XVIII was greater. Neither any change in the Article itself nor in the procedures for its invocation would be acceptable to developing countries.

102. Developing countries attached high priority to a comprehensive agreement on safeguards which reaffirmed the MFN principle and outlawed grey-area measures. They resisted attempts to legitimize discriminatory safeguard action against exports from "selected countries". Selectivity was the very antithesis of all that the GATT stood for, and any trade liberalization resulting from the Uruguay Round could well find itself thwarted or set at naught by discriminatory restrictions against specific suppliers or by perpetuation of grey-area measures, and could hit the most vulnerable trading partners, the developing countries. Any outcome in this area should not compromise on the question of selectivity, nor should it seek to differentiate among developing country exports on the basis of market share thresholds. It should also include a programme for the elimination of grey-area measures.

103. The objective of improving, clarifying and expanding, as appropriate, the entire range of agreements and arrangements or codes negotiated in the Tokyo Round meant that, in respect of developing countries, the obstacles to their effective participation should be removed, that the agreements be made less

restrictive and that difficulties in their implementation be effectively addressed. But it was the work on the new Anti-dumping Code which had the most significant implications for developing countries, given the proliferating use of these measures, often as a surrogate for selective safeguards. Proposals being considered could add considerably to the wide array of protective instruments that could be used under the garb of anti-dumping measures. Proposals for addressing alleged circumvention of anti-dumping measures applied on products by way of assembly or completion of parts and components thereof raised serious concerns in many developing countries about their anti-development and anti-investment nature, given the interlinkages of global manufacturing operations. The broadening of the definition of similar products, recurrent anti-dumping treatment, more flexible conditions for imposing retroactive and provisional duties were prejudicial elements in these proposals. Developing countries would like the revised Anti-dumping Code to result in a reduction of the trade barrier and harassment effect of anti-dumping investigations, and to establish transparent and strict injury determination criteria, a fair methodology to calculate the margin of dumping, market-share and dumping-margin de minimis provisions and effective mechanisms for the review of anti-dumping decisions. Also, the Code should not itself become the source of renewed protectionism after the Uruguay Round.

104. On the issue of subsidies and countervailing measures, imbalances persisted between demands for stricter disciplines on measures that could be taken by developing countries in pursuit of their development and more flexible disciplines on internal subsidies applied by major developed countries. What was necessary was stricter disciplines on the use of countervailing measures so as to ensure that such measures were not used as instruments of trade harassment and protection. Appropriate definition of the scope of prohibited, actionable and non-actionable subsidies and specific incorporation of provisions relating to special and differential treatment for developing countries in these disciplines were called for. There should be no attempt to undermine or circumscribe whatever flexibility they currently had on the use of subsidies as legitimate instruments for economic development.

105. There were repeated proposals put forward by some developed countries for the creation of a small Ministerial Group to meet frequently and provide political guidance and inputs for the smooth and efficient functioning of

GATT. This was strongly opposed by developing countries who felt, on the basis of their past experience, that this would militate against democratic functioning of the GATT system.

106. In the negotiating group on dispute settlement, proposals had been put forward which sought to make the dispute settlement process completely automatic by putting in place an appellate mechanism which would seek to reduce considerably the role of contracting parties. While developing countries were deeply interested in making the dispute settlement process swift, fair and effective and in removing blockages, both in adoption and implementation of panel reports, they would like to maintain a strong and effective role for the Council in the modified dispute settlement procedures.

107. With regard to the new areas of TRIPS, TRIMs and services, he said that undue emphasis was placed by developed countries on obtaining far-reaching results in these areas. Developing countries were concerned that unbalanced results in these areas would have the effect of reducing the positive impact of foreign investment on development, impeding their access to technology and inhibiting the growth of their service industries and export capacities in such key area. There was also a general concern that the outcome in the new areas could prejudice development-friendly trade liberalization and expansion.

108. On TRIPS, he said that, while developed countries were attempting to achieve a comprehensive agreement on TRIPS based on upward harmonization and adoption of uniform worldwide standards on intellectual property rights protection with commitments of strict enforcement, developing countries were seeking to counter-balance these demands for strengthening the intellectual property rights of right-holders with stronger protection of the interests of society, the need for technological development and access to this, and the control of anti-competitive practices of right-holders. The accommodation of technological needs and public policy considerations by providing for flexibility in the assumption of substantive obligations by developing countries was an important prerequisite for a satisfactory outcome in this area. In regard to the mechanisms for the observance of obligations regarding intellectual property right protection, the role and competence of the national, legal and administrative systems had to be respected. The dispute settlement system might not allow for the possibility of retaliation in the area of trade in goods and the negotiations should take into consideration the work being done by WIPO in this connection. International implementation of the results of the negotiations remained one of the most controversial

elements. The decision in this respect, especially on questions not related to trade, should recognize the competence and guarantee the functions and rules of the relevant international bodies such as WIPO.

109. On TRIMS, he stated that the negotiations were characterized by a basic imbalance since, while seeking tighter disciplines for the investment measures of developing countries, developed countries took the opposite attitude towards disciplines in trade policy that affected investment policies such as subsidies, anti-dumping and countervailing measures, quantitative restrictions and other non-tariff measures. Most developed countries sought a prohibition approach to TRIMS instead of confining the consideration of these measures to that of trade restriction and distortion effects, as called for in the Punta del Este Declaration. The prohibition approach represented attempts to protect the security and increase the profit of foreign investment without reference to the interests of host countries. Developing countries sought to uphold their right to determine whether, to what extent and on what terms they would permit foreign investment because only then would they be able to ensure the maximum development impact of foreign investment and counter the anti-competitive practices of transnational corporations. Their rejection of the prohibition approach was therefore prompted by their wish to continue to use TRIMS for stimulating genuine industrialization and inducing transfer of technology, managing balance of payments and channelling domestic employment. In his view, this "effect oriented" case-by-case approach, which would also deal with the problem of restrictive business practices, would best serve the interests of genuine trade expansion and development of the developing countries.

110. As to trade in services, he pointed out that the negotiations on a multilateral framework had suffered a set-back. He emphasized that any efforts to resuscitate the negotiations could only be on the basis of an automatic and unconditional application of the MFN clause, and an agreement on a universal coverage of sectors to be included in the framework. The framework should also constitute a recognition of the basic asymmetry in the situation of services in developed and developing countries, because of which specific obligations would have to be included in the framework to ensure increased participation of developing countries in international trade in services, inter alia through measures aimed at strengthening their domestic service sectors, including developing-country conditions placed on access for foreign suppliers and provisions of effective and preferential market access

for service exports from developing countries. There should be no automatic right to market access, establishment and/or national treatment. Developing countries' commitments with respect to market access and national treatment would be confined to those sectors and subsectors where they would agree to specific concessions (the positive list) and that symmetry would be maintained between the treatment of movement of factors of production associated with the supply of services. Unless specific provisions elaborating these ideas were incorporated in the multilateral framework, it would merely become a device for consolidating the already dominant position of developed countries and their TNCs in the trade and production of services. The framework should instead be a dynamic instrument that would assist developing countries in developing core service sectors and establish a competitive position in international trade in services.

111. He also emphasized the importance of having a meaningful evaluation process as envisaged in Part I (G) of the Punta del Este Declaration. In his view, this would imply that not only sufficient time be provided between the evaluation of the package and its final adoption but also that whatever deficiencies were identified as a result of the evaluation should be made good and differential and more favourable treatment to developing countries strictly incorporated in every aspect of the final package. He recalled that this requirement of a purposive evaluation had been rightly reiterated in the closing statement of the Chairman of the Ministerial Meeting of the TNC in Brussels.

112. Referring to the concept of the Uruguay Round being a single undertaking, he said that this had been introduced at a very late stage in the negotiating process and it was tantamount to breach of good faith as this was not the basis on which the negotiations were conceived in the Punta del Este Declaration or conducted over the last four years. Whatever the outcome of the Uruguay Round, he held that it was desirable and indeed prudent to avoid an approach that would force developing countries to accept and implement, in the name of the Round being "a single undertaking", all the results of the Round or to opt out of the multilateral trading system. Provision of flexibility, not only in terms of the time derogation principle but also in absolute terms, should be available to developing countries so that they were not put in the position of having to accept obligations in some areas which were inconsistent with their developmental, financial and trade needs.

113. With regard to proposals made by some developed countries relating to institutional arrangements to implement the results of the Uruguay Round, especially in the new areas, he said that they were clearly not covered by the mandate. In his view, such institutional arrangements, as proposed, were limited in scope and not fully responsive to the needs of the international trading system, especially the developmental aspirations of developing countries, and could legitimize retaliation in the form of trade restrictions in response to developing-country policies on services, technology or foreign investment. Progress should be made towards establishing universal, comprehensive, development-oriented international trade arrangements in the United Nations, covering both trade liberalization and other issues which had a bearing on trade and development, including control of restrictive business practices, transfer of technology to developing countries, trade financing and international monetary policies having an impact on trade, etc.

114. As for UNCTAD's specific role in monitoring developments and issues in the Uruguay Round of particular concern to developing countries, he emphasized the continuation of the tradition of providing development inputs into the process of trade liberalization negotiations. UNCTAD had made a signal contribution in terms of providing technical assistance to developing countries participating in the Uruguay Round, and he expected such technical assistance to continue not only till the end of the Uruguay Round but also beyond, because there would be much that would still require further elaboration and understanding from the point of view of the implications of the outcome for the trade and development prospects of developing countries. Finally, he expected that, whatever the timeframe for the completion of the Uruguay Round, UNCTAD VIII should also be seized with these issues.
